

# Department of Homeland Security **Office of Inspector General**

## **New Hampshire's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012**





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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

MAY 7 2014

MEMORANDUM FOR: Brian E. Kamoie  
Assistant Administrator  
Grant Programs Directorate  
Federal Emergency Management Agency

FROM: Anne L. Richard:   
Assistant Inspector General for Audits

SUBJECT: *New Hampshire's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012*

Attached for your action is our final report, *New Hampshire's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012*. We incorporated the formal comments from the Office of Policy, Program Analysis and international Affairs and New Hampshire Department of Safety in the final report.

The report contains seven recommendations aimed at improving the Federal Emergency Management Agency and New Hampshire's management of State Homeland Security Program grants. Your office concurred with all of the recommendations. Based on information provided in your response to the draft report, OIG considers recommendation #7 resolved and closed. Recommendations #1 and #6 are resolved and open. Once your office has fully implemented the recommendations, please submit a formal closeout request to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

The OIG considers recommendations #2 through #5 unresolved and open. As prescribed by the *Department of Homeland Security Directive 077-01, Follow-up and Resolution for Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include information on responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.



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Please email a signed PDF copy of all responses and closeout requests to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov). Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John E. McCoy II, Deputy Assistant Inspector General, at (202) 254-4100.

Attachment



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## Abbreviations

CFR	Code of Federal Regulations
DOS	Department of Safety
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
GAO	Government Accountability Office
GMU	Grants Management Unit
ISIP	initial strategy implementation plan
MOA	memorandum of acknowledgement
MOU	memorandum of understanding
OIG	Office of Inspector General
SAA	state administrative agency
SHSP	State Homeland Security Program
SPR	state preparedness report
THIRA	Threat and Hazard Identification and Risk Analysis



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### Executive Summary

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the Department of Homeland Security (DHS) Office of the Inspector General (OIG) to audit individual states' management of State Homeland Security Program and Urban Areas Security Initiative grants. This report responds to the reporting requirement for New Hampshire.

The audit objectives were to determine whether New Hampshire distributed, administered, and spent State Homeland Security Program grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. We also addressed the extent to which funds awarded enhanced the ability of state grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. The Federal Emergency Management Agency (FEMA) awarded New Hampshire approximately \$14.6 million in State Homeland Security Program grants during fiscal years 2010 through 2012.

New Hampshire's Department of Safety, Grants Management Unit ensured that grant expenditures for equipment, planning, training, exercises, and administrative activities were allowable and complied with most grant requirements. However, the State could improve the timely award of funding to subgrantees and the pass-through or retention of grant funding for local units of government. The State should also establish timely deadlines for onsite monitoring of subgrantees, comply with regulatory inventory practices and measure progress and improvements in preparedness that resulted from grant funding.

In addition, FEMA needs to establish a timely review and approval process for grant extension decisions, and ensure the State's other centrally managed grants adhere to Federal laws.

We made seven recommendations to FEMA, which when implemented, should strengthen grant program management, performance, and oversight. FEMA concurred with all of the recommendations.



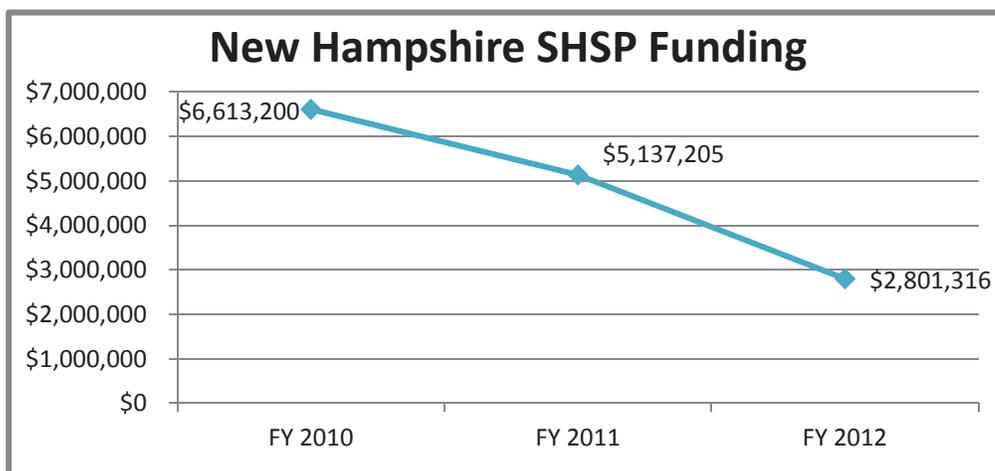
## Background

DHS provides Federal funding through the Homeland Security Grant Program to assist state and local agencies in preventing, preparing for, protecting against, and responding to acts of terrorism. The State Homeland Security Program (SHSP) funds a wide range of preparedness needs, which can include planning, organization, equipment, training, and exercises.

In accordance with FEMA grant guidance, the Governor of New Hampshire designated New Hampshire’s Department of Safety (DOS) as the state administrative agency (SAA). Within DOS, the Grants Management Unit (GMU) is responsible for managing the grant program in accordance with established Federal guidelines and allocating funds to local, regional, and other state entities.

During fiscal years (FYs) 2010–12, FEMA awarded New Hampshire about \$14.6 million in SHSP grant funds. The State does not have a FEMA-designated urban area and does not receive Urban Area Security Initiative grant funds. New Hampshire has 10 counties and 8 hazardous materials teams across the State that respond to hazards, manmade and natural disasters, and state agencies that apply for and receive SHSP funds. Figure 1 shows New Hampshire’s SHSP funding levels for FYs 2010–12. The State received its highest level of funding in 2010; funding declined about \$3.8 million in FY 2012.

**Figure 1. New Hampshire SHSP Funding Levels, FYs 2010–12**



Source: New Hampshire Department of Safety (DOS)

Public Law 110-53 requires DHS OIG to audit individual States’ management of SHSP grants. This audit responds to the reporting requirements for New Hampshire. Appendix A describes its objectives, scope, and methodology.



## Results of Audit

GMU ensured that grant expenditures for equipment, planning, training, exercises, and administrative activities were allowable and complied with most grant requirements. However, GMU does not obligate grant funds timely or award the required 80 percent of grant funding to local units of government. Additionally, GMU does not have established deadlines to conduct timely site monitoring of subgrantees, comply with regulatory inventory practices, or measure progress and improvements in preparedness.

The State's Homeland Security Grant Review Committee, includes statewide stakeholders, examines and scores all grant applications prior to awarding SHSP funding to local subgrantees. This lengthy process exceeded the required 45-day obligation timeframe, leaving subgrantees with limited time to spend grant funds. As a result, GMU had to request an extension from FEMA to expend about \$2,997,786, or about 42 percent, of the FY 2010 award.

In addition, improvement in the following areas will enhance the State's grant management program:

- Funding for training and other centrally managed programs;
- subgrantee monitoring;
- property management and inventory controls; and
- preparedness progress and improvement measurement.

### **Obligation of Funds**

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Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the State to obligate 80 percent of funds awarded under SHSP grant programs to local units of government. Obligations must take place within 45 days of receipt of the funds. According to FEMA's grant guidance, these obligations carry the following additional requirements:

- There must be some action to establish a firm commitment on the part of the awarding entity;
- The action must be unconditional on the part of the awarding entity (i.e., no contingencies for availability of SAA funds);
- There must be documentary evidence of the commitment; and
- The award terms must be communicated to the official grantee.

In an attempt to fulfill this requirement, the State submitted the Initial Strategy Implementation Plan (ISIP), which FEMA requested. An ISIP is a snapshot in time



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that shows the initial breakdown of funds, but does not represent a firm, unconditional commitment to the official grantee. Therefore, even though the State submitted the ISIP to FEMA within 45 days of the grant award, it did not meet the four obligation requirements.

According to GMU officials, the Homeland Security Grant Review Committee divides SHSP funding into multiple subcategories-hazmat, training and exercises, critical infrastructure protection, maintenance, interoperability, and competitive applications. With the exception of maintenance and competitive applications, GMU allocates subcategories upon award from FEMA. During the competitive process, GMU sends applications for competitive and maintenance grants to all counties, towns, and other eligible subgrantees. GMU sends returned submissions to the Homeland Security Grant Review Committee for scoring and award.

This process took a significant amount of time. There is no time requirement for GMU to begin the application process; therefore, it did not begin the process until after FEMA awarded the grant. As a result, the competitive application process used up at least a third of the period of performance. We concluded that this process does not comply with the 45-day obligation requirement, and subgrantees may not have sufficient time to use grant funds to meet their approved preparedness needs. Table 1 shows the State’s obligation process for FYs 2010–12.

**Table 1: Timeline of Grant Performance FYs 2010-12**

<b>Fiscal Year</b>	<b>2010 Period of Performance August 1, 2010 – July 31, 2013 (36 months)</b>	<b>2011 Period of Performance September 1, 2011 – August 31, 2014 (36 months)</b>	<b>2012 Period of Performance September 1, 2012 – August 31, 2014 (24 Months)</b>
<b>State Application</b>	4/17/2010	6/17/2011	5/3/2012
<b>Award Announced</b>	7/15/2010	8/23/2011	6/29/2012
<b>FEMA Awarded</b>	9/17/2010	10/06/2011	8/07/2012
<b>State Accepts Award</b>	9/27/2010	10/11/2011	8/24/2012
<b>State Homeland Grant Review Committee Meets to Award Competitive Grants</b>	9/27/2011	12/12/2012	5/15/2013
<b>Period of Performance Consumed by State Process</b>	423 days 39% of performance period	469 days 43% of performance period	257 days 35% of performance period

Source: FEMA and GMU



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GMU requested an extension of its FY 2010 grant on April 25, 2013, 98 days before the close of the period of performance and prior to the 60-day deadline required by FEMA's grant guidance. FEMA did not issue a grant adjustment notice until August 6, 2013, extending the grant an additional 212 days. This occurred after the grant's period of performance ended on July 31 and all activities under the grant ceased.<sup>1</sup> Although FEMA's grant guidance includes a deadline for requesting a grant extension, FEMA does not have policies in place to approve grant extensions in a timely manner.

Subgrantees have limited time to obligate, procure, and spend grant funds because of GMU's current procedures. GMU and its subgrantees could not properly prepare for the close of the FY 2010 grant because of its lengthy award process and FEMA's delayed response to the grant extension request.

### Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

#### Recommendation #1:

Require the New Hampshire Grants Management Unit to evaluate and abbreviate its process for approving and obligating subgrantee awards.

### Management Comments and OIG Analysis

FEMA's and the State's responses to Recommendation #1 – FEMA concurred with the recommendation; however, the State did not concur. FEMA will require the SAA to review its obligation and approval process to identify ways to abbreviate the process and ensure subgrantees have sufficient time to procure and spend grant funds. The State asserts that the chart used by the OIG is inaccurate. The DOS stated that although the New Hampshire process is time consuming, they met the PL 110-53 directives. FEMA requests that the OIG consider the recommendation resolved and open. The estimated completion date is June 30, 2014.

OIG Analysis – FEMA's proposed corrective actions are responsive to the intent of recommendation #1. The State's process for obligating awards to subgrantees over the grant period of performance did not comply with the 45-day obligation requirement. While the State disagreed, we verified the chart we used is

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<sup>1</sup> The State and subgrantees are allowed 90 days to complete closeout of the grant for liquidation, reimbursement, and submittal of requisite financial reports to FEMA.



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accurate. Its methodology differs from the OIG's because it does not include the entire period of performance. The State's calculations begin with the date it accepts FEMA's award, while the OIG's begins with FEMA's period of performance date. We continue to affirm that the Grants Management Unit evaluate and abbreviate its process for approving and obligating subgrantee awards. This recommendation is resolved and open until FEMA's Grant Programs Directorate provides evidence that GMU completed these actions.

We recommend that the Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #2:**

Establish and implement a policy that sets a reasonable timetable for reviewing and making a decision on requests by grantees for grant extensions to ensure that grantees have sufficient time to plan for the end of a grant's period of performance.

#### **Management Comments and OIG Analysis**

FEMA's and the State's responses to Recommendation #2 – FEMA and the State concurred with recommendation #2. FEMA established a policy for reviewing and making decisions on grant extension requests by grantees. The policy requires the Grants Program Directorate Extension Review Panel to meet weekly. FEMA requests the OIG consider this recommendation resolved and closed.

OIG Analysis –FEMA's proposed corrective actions are responsive to the intent of recommendation #2. However, this recommendation will remain unresolved and open pending receipt of a policy that includes a timeframe for making determinations on grant extension requests.

#### **Pass-through or Retention of Grant Funds**

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The State did not pass through 80 percent of funding to local governments, as required by Public Law 110-53. The State's process does not allow subgrantees an opportunity to use funds for other projects based on need/gap assessments. In FYs 2010 and 2011, GMU awarded training funds to the State Fire Academy, a state agency, to manage training on behalf of local governments. The State did not always obtain proper written consent from local governments to retain funding on their behalf. The written consent obtained from local entities to retain and centrally manage the award was not specific and not always signed by authorized individuals.



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Public Law 110-53 requires states to make “not less than 80 percent of the grant funds” available to local governments, or to make available “with consent of the local and tribal governments, items, services, or activities having a value of not less than 80 percent of the amount of the grant.” Grant guidance also mandates that states must “pass through” funding, which is defined as “an obligation on the part of the States to make funds available to local units of government, combinations of local units, or other specific groups or organizations.”

In FYs 2010 and 2011, GMU awarded \$250,000 and \$243,292, respectively, to the State Fire Academy to manage training funds. GMU announced the awards on the DOS central website and considered them local awards that contributed to the 80 percent pass-through requirement. The grants awarded to the State Fire Academy for centrally managed training did not specify award amounts to any local government. Nor did any local government consent to the withholding at the time of the award. As a result, the funding for the awards did not meet the pass-through requirement in Public Law 110-53.

GMU officials said that they used memorandums of acknowledgement (MOA) to obtain consent to manage and retain funding for the training on behalf of local governments. However, the MOAs did not contain the amount or the intended use of funds, as required by FEMA grant guidance. Additionally, local government personnel frequently acted outside the scope of their authority and signed MOAs just prior to attending training. According to the Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*, “...transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority.”<sup>2</sup> Therefore, GMU did not always obtain proper written consent from local governments to retain funding on their behalf.

As a result, the grant funds allocated to the State Fire Academy to manage training on behalf of local governments did not comply with Federal subaward guidance. Specifically, GMU did not pass through the full 80 percent of grant funding to local governments, affording them the opportunity to use funds for other projects based on their own need/gap assessments.

### **Recommendation**

We recommend that the Assistant Administrator, Grant Programs Directorate:

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<sup>2</sup> GAO/AIMD-00-21.3.1, pp. 14-15 (November 1999).



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### **Recommendation #3:**

Direct and ensure that the Grants Management Unit complies with Federal requirements and grant guidance as it relates to subawarding funds to local jurisdictions (80 percent pass-through requirement) or retaining funds with written consent of local subgrantees.

### **Management Comments and OIG Analysis**

FEMA's and the State's responses to Recommendation #3 – FEMA concurred, but the State did not concur with recommendation #3. The State asserted that the OIG statement in the report is inaccurate, and that it complies with the memorandum of understanding (MOU)/MOA requirement and the 80 percent awarding requirement. According to FEMA, it reviewed GMU's subawarding process and believes that GMU complies with Federal requirements and grant guidance. FEMA said that GMU's Homeland Security Grant Review Committee determines the allocations for the 80 percent pass-through during an open meeting each grant cycle. GMU posts the notice of allocation availability on the agency website and mails it to local units of government.

According to FEMA, when the State retained funds on behalf of local governments, GMU demonstrated that it has MOUs documenting local subgrantees' consent for the State to retain the funds and GMU has met this requirement each year. FEMA provided GMU's Homeland Security Grant Review Committee procedures; FYs 2010-12 award summaries; and sample MOUs, which according to FEMA, demonstrates compliance with the recommendation. FEMA believes the information provided satisfies the intent of the recommendation and requests the OIG resolve and close this recommendation.

OIG Analysis – We acknowledge that GMU's Homeland Security Grant Review Committee held open meetings to determine allocations for the 80 percent pass-through requirement. We reviewed the additional MOUs and MOAs that FEMA and the State provided. The documents provided did not satisfy the intent of the recommendation. Documents did not include an award amount spent on behalf of local governments and did not include agreement dates. We consider this recommendation unresolved and open until FEMA provides the appropriate evidence, which meets the requirements of Public Law 110-53 and FEMA grant guidance.



## **Onsite Monitoring**

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GMU has written policies and procedures for monitoring subgrantees, but does not establish deadlines for onsite monitoring. GMU officials said they monitor subgrantees through quarterly reports, desk monitoring, and onsite visits after grant closeout. Title 44 of the Code of Federal Regulations (CFR) §13.40, *Monitoring and Reporting Program Performance*, requires grantees to oversee subgrantee activities to ensure compliance with applicable Federal requirements. According to the Office of Management and Budget's Circular A-133, *Compliance Supplement June 2012*, grantees are responsible for monitoring subgrantees' use of Federal awards through reporting, site visits, regular contact, or other means.

According to GMU officials, there is one part-time internal auditor conducting onsite monitoring for all SHSP grants. GMU's *Auditing Procedures* require onsite visits, desk audits, and reviews of self-submitted quarterly reports from subgrantees. The policy does not establish timeframes to ensure timely onsite monitoring at grant closeout. A GMU official said that onsite monitoring is limited by insufficient staff hours.

At the time of our audit, GMU had not conducted onsite visits of FY 2010 SHSP closed grants and did not have a schedule for future site visits. GMU requested an extension from FEMA for \$250,674 (71 percent) of its FY 2010 allowed management and administration costs to conduct its required onsite monitoring. We concluded that delayed onsite monitoring prevents GMU officials from validating the results of desk reviews and quarterly reports. It also limits GMU officials' ability to ensure that local subgrantees comply with applicable Federal requirements.

### **Recommendation**

We recommend that the Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #4:**

Require the New Hampshire Grants Management Unit to establish an internal deadline for site visits during closeout audits.

### **Management Comments and OIG Analysis**

FEMA's and the State's responses to Recommendation #4 – FEMA concurred, but the State did not concur with recommendation #4. FEMA reviewed GMU's



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*Auditing Procedures* and determined it complied with 44 CFR §13.40. GMU conducts 100 percent closeout audits, including a closeout report on all grantees, prior to the end of the grant's performance period. The State asserts that there is no site visit or timeliness requirement in 44 CFR §13.40. The State also explained that their internal auditor position is vacant and they do not anticipate filling it due to lack of funding. As a result, the State will probably cease monitoring through site visits.

FEMA provided GMU's *Auditing Procedures* and audit schedule, which demonstrated compliance with the recommendation. FEMA believes documents provided meet the intent of the recommendation and request this recommendation be resolved and closed.

OIG Analysis – We consider recommendation #4 unresolved and open until FEMA provides evidence that GMU's *Auditing Procedures* include an internal deadline for completing site visits during closeout audits.

FEMA's corrective actions are not responsive to the intent of this recommendation. FEMA provided a schedule of grant close out visits. We reviewed and determined the documents provided did not meet the intent of the recommendation. The schedule provided evidence of visits conducted for grant years prior to grant years audited. We affirm the need for the State to conduct site visits to validate the results of desk audits and other self-submitted information in a timely manner.

In addition to GMU's *Auditing Procedures* requiring onsite visits, timely closeout visits ensure compliance with applicable Federal requirements. Additionally, while the State is considering eliminating monitoring through site visit, the State received a grant extension for more than half of their management and administration funds, which could fund closeout site visits.

### **Inventory Management**

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GMU does not ensure that subgrantees comply with Federal requirements for maintaining inventory records or performing required biennial physical inventory reconciliation. A GMU official said that they delegate inventory requirements to the subgrantees at the time of award and monitor inventory compliance during grant closeout site visits. GMU's grant guidance requires compliance with Federal inventory requirements. Title 44 CFR §13.32 - *Equipment*, sets forth procedures for managing equipment (including equipment replacement), whether acquired in whole or in part with grant funds, until disposition.



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According to the regulations, grant recipients must meet the following requirements:

- Property records must be maintained that include a description of the property; a serial number or other identification number; the source of property; identification of who holds title; the acquisition date; cost of the property; percentage of Federal participation in the cost of the property; the location, use, and condition of the property; and any ultimate disposition data, including the date of disposal and sale price of the property.
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

According to GMU officials, they conduct an independent verification of inventory during the one onsite monitoring visit at grant closeout. However, GMU does not otherwise verify that subgrantees keep records or conduct inventories required by the regulation. A GMU official said once the closeout process is complete, GMU conducts no additional inventories to ensure that subgrantees meet the biennial inventory reconciliation requirement.

Without the required physical control and accountability over items purchased with SHSP funds, GMU cannot ensure the authorized use of property. It cannot ascertain the security of property to prevent loss, damage, or theft. After completion of audit fieldwork, a GMU official said they plan to revise inventory policies and procedures to establish stronger inventory controls to meet part of the Federal requirements.

### **Recommendations**

We recommend that the Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #5:**

Direct the New Hampshire Grants Management Unit to develop and implement procedures to ensure that inventory records comply with 44 CFR §13.32.



### **Management Comments and OIG Analysis**

FEMA's and the State's responses to Recommendation #5 – FEMA concurred and the State partially concurred with recommendation #5. The State asserts that it is a violation of their State Constitution to require local grantees to comply with the inventory requirements of 44 CFR §13.32 without additional funding. FEMA reviewed the State's *Fixed Assets Inventory Policies and Guidelines* for state and local agencies and determined it ensures inventory recordkeeping compliance with 44 CFR §13.32 regulations. FEMA requests this recommendation be resolved and closed.

OIG Analysis – We consider recommendation #5 unresolved and open until FEMA provides copies of State implemented policies and procedures that address federal inventory requirements.

The State requires local grantees to agree to grant terms and conditions before accepting grant funding. Included in the terms and conditions are the requirements of 44 CFR §13.32. The policy provided by FEMA used to support the closing of recommendation #5 does not include all of the inventory requirements for items purchased with SHSP funds. The policy does not include the following required elements:

- maintenance of property records, to include descriptions of the property; a serial number or other identification; and
- physical inventory of property and reconciliation at least every 2 years.

We recommend that the Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #6:**

Ensure the New Hampshire Grants Management Unit compiles and provides reconciled inventory records for fiscal years 2010–12 SHSP to meet Federal requirements.

### **Management Comments and OIG Analysis**

FEMA's and the State's responses to Recommendation #6 – FEMA concurred with the recommendation; however, the State did not concur. The State asserts that it already has a procedure for reconciling inventory. FEMA will require the SAA to compile and provide reconciled FYs 2010–12 SHSP inventory records in accordance with 44 CFR §13.32. The State also asserts that it should not be required to complete inventory reconciliation until FYs 2010-12 grants are



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closed. FEMA requests that the OIG consider this recommendation resolved and open. The estimated completion date is June 30, 2014.

OIG Analysis – We consider FEMA’s proposed corrective actions responsive to the intent of recommendation #6. Until FEMA provides documentation that GMU completes an inventory reconciliation of FYs 2010-12 grant years, this recommendation is resolved and will remain open.

#### **Performance Measures**

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GMU has not established performance measures to assess whether improvements achieved with grant funds have enhanced state grantees’ ability to prevent, prepare for, protect against, and respond to all types of hazards. According to 44 CFR §13.40 – *Monitoring and reporting program performance*, “grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.” According to the Office of Management and Budget’s Circular A-133, grantees should “monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes... and that performance goals are achieved.”

However, GMU officials said that FEMA has never provided them with a tool or means to measure performance. State Homeland Security Emergency Management officials working with GMU said they are aware that they need to measure improvements, but have difficulty doing so formally and are working to improve in this area. Additionally, state officials said they have not been able to use the annual state preparedness report (SPR) to measure annual improvement because the tool has changed each year. Furthermore, an official from FEMA’s National Preparedness Directorate acknowledged it is possible for states to have small projects that may be effective but have little or no affect on the state’s score for preparedness.

During FY 2012, FEMA released guidance requiring states to complete a Threat and Hazard Identification and Risk Assessment (THIRA) to identify hazards in core capabilities and to establish capability targets. The THIRA, along with a revised annual SPR, would measure the state's status in these areas. However, because the THIRA does not establish a baseline, more than one SPR or measurement would be required to show any measurable progress or improvement. Small project improvements require scaled tools or processes to measure improvement, which may not show a significant measurable improvement through a statewide SPR.



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Without standards and metrics against which to measure progress of large and small projects, the State is not able to determine improvements in emergency preparedness through the receipt of grant funding.

#### **Recommendation**

We recommend that the Assistant Administrator, Grant Programs Directorate:

#### **Recommendation #7:**

Provide guidance for states to measure progress in improving emergency preparedness effectively and consistently; and require New Hampshire to develop a process to measure its progress.

#### **Management Comments and OIG Analysis**

FEMA's and the State's responses to Recommendation #7 – FEMA concurred with the recommendation, and the State had no comment regarding concurrence. FEMA has already provided guidance and tools to measure progress at the state and local levels and requires grantees to measure progress in improving emergency preparedness.

As part of the National Preparedness System<sup>3</sup>, FEMA has developed and is implementing performance assessments that measure progress toward achieving the National Preparedness Goal.<sup>4</sup>

On August 29, 2013, FEMA released a consistent methodology for determining risks in the *Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide (CPG-201) Second Edition*. CPG-201 details a four-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows a jurisdiction to establish its own capability targets based on the risks.

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<sup>3</sup> The National Preparedness System outlines the approach, resources, and tools for achieving the National Preparedness Goal. The system has six main components to improve preparedness: identifying and assessing risk, estimating capability requirements, building and sustaining capabilities, planning to deliver capabilities, validating capabilities, and reviewing and updating capabilities.

<sup>4</sup> The National Preparedness Goal, released in September 2011, is the first deliverable required under *Presidential Policy Directive (PPD) 8: National Preparedness*. The goal sets the vision for nationwide preparedness and identifies the core capabilities and targets necessary to achieve preparedness across five mission areas laid out under PPD 8: prevention, protection, mitigation, response and recovery.



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Starting on December 31, 2012, and annually thereafter, states, territories, and major urban areas that receive Homeland Security Grant Program funds must submit their THIRAs to FEMA. In conjunction, the THIRA results, combined with the SPR, identify capability needs, gaps and the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report.

After estimating capability requirements, the next component of the National Preparedness System is to build and sustain capabilities. This step ties grant investments directly to needs and shortfalls. Within the investment justifications submitted in the grant application, grantees must specifically identify core capabilities, the priority of those capabilities, as well as the gaps noted in their SPR that investment intends to address. In addition, grantees must identify the specific results of each investment. FEMA verifies completion of the investment/projects through its programmatic monitoring and the Biannual Strategy Implementation Report.<sup>5</sup> Because the period of performance for the Homeland Security Grant Program is 2 years, a time limit is set for completion of the project once funded.

FEMA addressed the OIG recommendation for states to establish goals and objectives that are specific, measurable, achievable, results-oriented, and time-limited. States and territories can systematically measure improvements in first responder capabilities and statewide preparedness by requiring them to use tools such as the THIRA, SPR, and investment justifications. Strategy updates are encouraged, but not required, because the THIRA, SPR, and investment justification methodology provide goals and assessment of progress against those goals.

Based on this information, FEMA requests that this recommendation be resolved and closed.

OIG Analysis –FEMA’s corrective actions are responsive to the intent of this recommendation. We consider this recommendation resolved and closed.

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<sup>5</sup> Grantees are to submit Biannual Strategy Implementation Reports to FEMA every 6 months for the life of the award; a final report is due after the end date of the award period. The reports are FEMA’s primary source of programmatic information on the use of grant funds.



## **Appendix A**

### **Objectives, Scope, and Methodology**

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires DHS OIG to audit individual states' management of SHSP grants. This report responds to the reporting requirement for New Hampshire.

The audit objectives were to determine whether New Hampshire distributed, administered, and spent SHSP grant funds strategically, effectively, and in compliance with laws, regulations, and guidance. We also addressed the extent to which funds awarded enhanced the ability of state grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

The scope of this audit included a review of the plans developed by the State to improve preparedness and response to all types of hazards, goals, and objectives set in those plans. We evaluated the State's measurement of progress toward the goals and assessments of performance improvement resulting from this measurement.

The Homeland Security Grant Program and its interrelated grant programs fund a range of preparedness activities, including planning, organization, equipment purchase, training, exercises, and management and administration costs. However, we reviewed only SHSP funding, equipment, and supported programs for compliance.

The scope of the audit included the SHSP grant awards for FYs 2010, 2011, and 2012, as shown in table 2. The audit methodology included work at FEMA headquarters, FEMA Region I, New Hampshire offices, and various subgrantee locations that received grants. To achieve our audit objectives, we analyzed data, reviewed documentation, and interviewed key state and local officials directly involved in SHSP management and administration.



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**Table 2: New Hampshire Homeland Security Grant Program Awards, FYs 2010-2012**

New Hampshire Homeland Security Grant Program Awards FY s 2010 through 2012				
Year	FY 2010	FY 2011	FY 2012	Total
State Homeland Security Program	\$6,613,200	\$5,137,205	\$2,801,316	\$14,551,721

Source: FEMA

We sampled grant award files from state agencies, regional hazardous materials teams, counties, and towns that received SHSP grant allocations in FYs 2010, 2011, or 2012. We judgmentally selected subgrantees based on dollar values expended at the time of fieldwork. We reviewed high value grant awards, (above \$250,000), medium (between \$10,000 and \$50,000), and low (between \$5,000 and \$10,000). We also selected from diverse geographic locations, where possible. There were a limited number of State subgrantees with funding expenditures. We judgmentally selected two State subgrantees, based on high-dollar values expended at the time of fieldwork and risk indicators.

At each location, we interviewed officials and reviewed documentation supporting state and subgrantee management of grant funds. In addition, we verified the existence of selected equipment subgrantees procured with grant funds.

We conducted this performance audit between April and September 2013 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Department of Homeland Security

Appendix B  
Management Comments to the Draft Report

U.S. Department of Homeland Security  
Washington, DC 20472



FEMA

JAN 29 2014

MEMORANDUM FOR: Mark Bell  
Acting Assistant Inspector General for Audits  
Office of Inspector General (OIG)  
Department of Homeland Security

FROM: *for* David J. Kaufman *DJK*  
Associate Administrator for  
Policy, Program Analysis and International Affairs

SUBJECT: Federal Emergency Management Agency (FEMA) Response to OIG's  
Draft Report: "New Hampshire's (NH) Management of State  
Homeland Security Program Grants (SHSP) Awarded During Fiscal  
Years 2010 Through 2012" – OIG Project No. 13-140-AUD-FEMA

Thank you for the opportunity to comment on your Draft Report "New Hampshire's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2010 Through 2012" – OIG Project No. 13-140-AUD-FEMA. The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our program. We recognize the need to continue to improve the process, including addressing the recommendations raised in this report. The following are our written response to the seven (7) recommendations for implementation, of which, FEMA concurs with all seven (7) recommendations. In addition to our concurrence to the seven (7) recommendations contained in your draft report, FEMA is requesting closure of recommendations 2 through 5 and recommendation 7. Supporting documentation for our request for closure is provided along with our written response.

**Recommendation #1:** We recommend that the Assistant Administrator, Grants Programs Directorate (GPD) require New Hampshire's Grants Management Unit (GMU) to review and update its obligations and approval process to identify ways to abbreviate the process and ensure subgrantees have sufficient time to procure and spend their grant funds.

**Response: Concur:** FEMA will require the State Administrative Agency (SAA) to review and identify efficiencies in its obligations and approval process to identify ways to abbreviate the process and ensure subgrantees have sufficient time to procure and spend their grant funds.

FEMA requests that this recommendation be considered resolved and open.

**Estimated Completion Date:** June 30, 2014

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**Recommendation #2:** We recommend that the Assistant Administrator, Grants Programs Directorate establish and implement a policy that sets a reasonable timetable for reviewing and making a decision on requests by grantees for grant extensions to ensure that grantees have sufficient time to plan for the end of a grant's period of performance.

**Response: Concur:** FEMA has established a policy for reviewing and making decisions on grant extension requests by grantees. The policy requires the GPD Extension Review Panel to meet weekly. *(See attachment #2)*

FEMA requests that this recommendation be considered resolved and closed.

**Recommendation #3:** We recommend that the Assistant Administrator, Grants Programs Directorate direct and ensure that the Grants Management Unit is in compliance with Federal requirements and grant guidance as it relates to sub-awarding funds to local jurisdictions (80 percent pass-through requirement) or retaining funds with written consent of locals.

**Response: Concur:** FEMA has reviewed the GMU's sub-awarding process and determined it is in compliance with Federal requirements and the grant guidance. The GMU's Homeland Security Grant Review Committee determines the allocations for the 80 percent pass-through during an open meeting each grant cycle. These allocations with notice of the availability of funds are posted on the agency website and mailed to local units of government. Per FEMA grant guidance, "FEMA will track the congressionally mandated obligation of funds to local units of government through each State's Initial Strategy Implementation plan (ISIP).....SAA must obligate at least 80 percent of funds awarded under the SHSP and UASI to local units of government within 45 days of receipt of funds." The GMU has met this requirement each year.

When instances where funds are retained on behalf of locals by the state, the GMU has demonstrated to FEMA that Memorandums of Understand (MOUs) are in place documenting the consent of locals to retain funds.

FEMA has provided the attached NH GMU's Grant review Committee Procedures; FY 2010, 2011, 2012 Award Summaries; and Sample MOUs which demonstrate compliance with the recommendation. *(See attachments #3)*

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

**Recommendation #4:** We recommend that the Assistant Administrator, Grants Programs Directorate require the New Hampshire Grants Management Unit to establish an internal deadline for site visits during closeout audits.

**Response: Concur:** FEMA has reviewed the GMU's Auditing Procedures and determined they are in compliance with 44 CFR 13.40. The GMU conducts a 100 percent close-out audit including a close-out report on all grantees prior to the end of the grant's performance period.

FEMA has provided the attached NH Audit Procedures and NH Audit Schedule that demonstrate compliance with the recommendation. *(See attachments #4)*

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FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

**Recommendation #5:** We recommend that the Assistant Administrator, Grants Programs Directorate direct the New Hampshire Grants Management Unit to develop and implement procedures to ensure that inventory records comply with the 44 CFR 13.3 and 13.32 regulations.

**Response: Concur:** FEMA has reviewed the State of New Hampshire's "Fixed Assets Inventory Policies and Guidelines" for state and local agencies (which is attached) and determined it ensures inventory record keeping complies with 44 CFR 13.3 and 13.32 regulations. *(See attachments #5)*

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

**Recommendation #6:** We recommend that the Assistant Administrator, Grants Programs Directorate ensure the New Hampshire Grants Management Unit compile and provide reconciled fiscal year 2010 through 2012 SHSP inventory records to meet Federal requirements.

**Response: Concur:** FEMA will require the SAA to compile and provide reconciled fiscal year 2010 through 2012 SHSP inventory records in accordance with 44 CFR 13.32.

FEMA requests that this recommendation be considered resolved and open.

**Estimated Completion Date:** June 30, 2014

**Recommendation #7:** We recommend that the Assistant Administrator, Grants Programs Directorate provide guidance that can effectively and consistently measure progress at the State and local level and require the State of New Hampshire to develop a process to measure progress in improving emergency preparedness.

**Response: Concur:** FEMA has already provided guidance and tools to effectively and consistently measure progress at the State and local level and has required grantees to measure progress in improving emergency preparedness.

The integrated preparedness system has its basis in the strategic plan and planning process. As part of this plan and process, OIG has recommended that FEMA help states, territories and urban areas establish measurable goals and objectives that will enable them to systematically measure improvements in first responder capabilities and statewide preparedness. FEMA has established and implemented a system to do exactly that, as described below.



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#### **Measuring Grant Effectiveness**

As part of the National Preparedness System, FEMA has developed and is implementing performance assessments that measure progress toward achieving the National Preparedness Goal. FEMA's strategy is to base assessments on the principles that the Nation needs to understand existing risks, use those risks to determine required capabilities, assess current capability levels against those requirements, and track its progress in closing identified capability gaps.

On August 29, 2013, FEMA released a consistent methodology for determining risks in the Comprehensive Preparedness Guide 201: Threat and Hazard Identification and Risk Assessment (THIRA) Guide (CPG-201) Second Edition. CPG-201 details a four-step process jurisdictions can use to achieve desired outcomes and capability targets for each of the core capabilities. This approach allows a jurisdiction to establish its own capability targets based on the risks it faces.

Starting on December 31, 2012 and thereafter annually, states, territories, and major urban areas receiving Homeland Security Grant Program (HSGP) funds are required to submit their THIRAs to FEMA. Once each jurisdiction has determined capability targets through the THIRA process, it estimates its current capability levels against those targets. Also, states and territories are required to submit State Preparedness Reports (SPRs) to FEMA annually. The THIRA and SPR processes are scalable to allow sub-jurisdictions, sub-grantees and subject matter experts to provide input to the state or territory. In conjunction, the THIRA results and the SPR identify capability needs and gaps. The THIRA and SPR results highlight gaps in capability and the progress of grantees in closing those gaps over time. FEMA reports the results of the capability assessments annually in the National Preparedness Report (NPR).

#### **Sustaining, Building and Delivering Capabilities**

After estimating capability requirements, the next component of the National Preparedness System is to build and sustain capabilities. This step ties grant investments directly to needs and shortfalls. Grantees address documented capability requirements and gaps in their grant applications. Within the Investment Justifications (IJ) submitted in the grant application, grantees must specifically identify the core capability or capabilities, the priority of the core capability as well as the capability gaps noted in their SPR that investment intends to address. In addition, grantees must identify the specific outcome(s) of each investment. FEMA verifies completion of the investment/projects through its programmatic monitoring and the Biannual Strategy Implementation Report (BSIR). Since the period of performance for the HSGP is two years, a time limit is set for completion of the project once it is funded.

FEMA addressed the OIG recommendation for States to establish SMART goals and objectives that will enable states and territories to systematically measure improvements in first responder capabilities and statewide preparedness by requiring states to use a set of tools including the THIRA, SPR, and IJs. Strategy updates are encouraged but not required as the THIRA, SPR, and IJ methodology provide the goals and assessment of progress against those goals.

Finally, CPG 201: Threat and Hazard Identification and Risk Assessment Guide Supplement 1: Toolkit provides all the required templates to complete the THIRA process including information and documentation used to develop and compile threat and hazard information. As the THIRA



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will be an annual process, subsequent iterations will build on the documents from previous years.  
(See attachments #7)

Based on this information, FEMA requests that this recommendation be resolved and closed.

Again, we thank you for the work that you and your team did to inform us of measures we can take to enhance the program's overall effectiveness. We look forward to OIG's final report for "New Hampshire's (NH) Management of State Homeland Security Program Grants (SHSP) Awarded During Fiscal Years 2010 Through 2012". Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.

See Attachments For Recommendation:

2. Extension Request Board Summary
2. HLS Grant Review Committee Procedure
2. 2010 Total Award Summary
2. 2011 Total Award Summary
2. NH 12 Total Award Summary
3. Sample MOA signed by Town Manager
3. Sample MOA signed by Fire Chief
3. Sample MOA signed by student
4. Site Visit and Desk Audit Schedule
4. Auditing Procedures
5. Inventory Policy and Procedure
7. Threat and Hazard Identification and Risk Assessment (THIRA)
7. State Preparedness Reports (SPRs)



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Department of Homeland Security

**State of New Hampshire**

JOHN J. BARTHELMES  
COMMISSIONER OF SAFETY



EARL M. SWEENEY  
ASSISTANT COMMISSIONER

**DEPARTMENT OF SAFETY**

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January 24, 2014

Mr. Mark Bell  
DHS-OIG Office of Audit  
Acting Assistant Inspector General for Audit  
Department of Homeland Security  
Washington, DC 20528

Re: Comments on State of New Hampshire Management of State Homeland Security  
Program Grants Awarded During Fiscal years 2010 through 2012

Dear Mr. Bell,

I received your draft report on December 30, 2013. The Grants Administrator for the Commissioner's Office (SAA), who is the audit lead for the NH Department of Safety (DOS) and Administrator for the Homeland Security Grant Program (HSGP) Pamela Urban-Morin has never received a copy of this draft report to date. I have taken the liberty to share it with her and receive input from her and her team.

This draft report is substantially unchanged from the "Notice of Findings and Recommendations" received on this same audit on October 24, 2013. The exit phone call, as stated by OIG, was intended to obtain our feedback", and was held on October 25, 2013. Ms. Urban-Morin and Homeland Security Advisor Perry Plummer participated in this call and raised significant objections to this initial "Notice of Findings and Recommendations" due to overstatements of non-compliance with the Law (PL 110-53) and 44 CFR. On October 28, Ms. Urban-Morin sent a 42 page rebuttal e-mail to your Office to Alex Best and Cecilia Carroll, who had invited this opportunity at the conclusion of the phone call as we had expressed our concerns about certain statements in the "Notice of Findings and Recommendations".

On November 4 we were notified via an email while Ms. Urban-Morin was away from the office, that this NH DOS Draft rebuttal was never received. No prior inquiry was made as to the receipt of this rebuttal even though on 10/28 via email Ms. Urban-Morin indicated to Ms. Carroll that the rebuttal letter was coming either on 10/28 or 10/29.<sup>1</sup> NH DOS staff and no

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Ms. Urban-Morin had notified Ms. Carroll prior to October 25 on 10/21 and again on 10/28 that no one in NH would be able to respond from October 31-Nov. 12.



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others in the email chain received any “non-delivered” email notice and everyone else copied on this email received their copies. Fortunately another NH DOS staff member was able to re-send this DOS response, and receipt as was finally received by Ms. Carroll on November 4. We are now somewhat surprised that after 6 months of extensive cooperative effort and exchange of information, none of the rebuttal information that we provided appears to have led to any changes in this latest draft. That said, the following responses are provide to the latest iteration of the draft:

**New Hampshire response to overall conclusion:**

*Page 1: “New Hampshire’s Department of Safety Grants Management Unit (GMU) ensured that grant expenditures for equipment, planning, training, exercises, and administrative activities were allowable and complied with most grant requirements”.*

*The Grants Management Unit (GMU) has overseen \$110 million in HSGP funds (in addition to another \$20+ million in other grants) since 2003. GMU has a staff size ranging from 4.5 people at one point to now 1.5 people due to severe cuts in HSGP grant administrative allowance (5% of grant). We have never had an audit finding. This is a significant feat which we would have hoped would have deserved more notice in this audit, as in finality there are no breaches of law, or grant guidance, or any disallowed costs as a result of this OIG audit.*

**Results of audit:**

**Recommendation #1:**

**NH DOS points out that the Chart of page 5 of the OIG DRAFT regarding “time consumed by the NH process” is inaccurate in the days consumed calculation as we point out here:**

***Timeline of Grant Performance***

***Corrected:***

Fiscal Year	2010 Period of Performance August 1, 2010 - July 31, 2013 (36 months)	2011 Period of Performance September 1, 2011 - August 31, 2014 (36 months)	2012 Period of Performance September 1, 2012 - August 31, 2014 (24 months)
State Accepts Award	9/27/2010	10/11/2011	8/24/2012
Date Grant Committee Meets to Award Competitive Grants	9/27/2011	12/12/2012	5/15/2013
Days Consumed by State Process (actual)	365 (OIG chart stated 423)	428 (OIG chart stated 469)	264 (OIG chart stated 257)
Number of days in the Period of Performance	1095	1095	730



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Percent of Performance Period (actual)	33% (OIG chart stated 39%)	39% (OIG chart stated 43%)	36% (OIG chart stated 35%)
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**NH Response: DOS does NOT CONCUR with #1.** We disagree with the statement on page 4 that we have not met PL 110-53 directives. To the contrary, NH is not in violation of the law. The NH process is time consuming as illustrated. Please see the errors in your chart that we have pointed out on page 5. If you correct these errors the chart would then amply demonstrate that we are in compliance with both the law and acceptable practice of meeting the tenets of the law and grant guidance for these years, which state:

- “ The SAA must **obligate at least 80 percent of the funds awarded under SHSP (State Homeland Security Program)...to local units of government within 45 days of receipt of funds** per 2010 Grant HSGP guidance page 52 to date. As stated in this draft report and illustrated on page 5, we met this requirement through notification to local partners of the allocation plan and process to obtain funds and through the ISIP (Initial Strategy Implementation Plan) submission.
- Per 2011 Guidance (page 31), “**FEMA will track the congressionally mandated obligation of funds to local units of government through each State’s Initial Strategy Implementation plan (ISIP)”...SAA must obligate at least 80% of funds awarded under the SHSP and USASI to local units of government within 45 days of receipt of funds**”. As stated in this draft report and illustrated on page 5, we did meet this requirement through notification to locals of the allocation plan and process to obtain funds and ISIP submission.
- Not until the 2012 Guidance (page 9) does the language evolve to:  
“**Awards made to SAA for the HSGP carry additional pass-through requirements. Pass-through is defined as an obligation on the part of the States to make funds available to local units of government, combinations of local units, or other specific groups or organizations. The State’s pass-through period must be met within 45 days of the award date for the HSGP. Four requirements must be met to pass-through grant funds:**
- **There must be some action to establish a firm commitment on the part of the awarding entity**
- **The action must be unconditional on the part of the awarding entity (i.e., no contingencies for availability of SAA funds)**
- **There must be documentary evidence of the commitment**
- **The award terms must be communicated to the official grantee**

*DOS has been monitored in A-133 audits and as part of FEMA Region I processes since Homeland Security grants began. DOS has never missed a 45 or 60 day “notification” (time frame has changed throughout the continuum of Homeland) to the locals of the allocation plan (obligation) and application process and how to access this allocation. ISIP is the official DHS benchmark for 45 days (“10-’12 due date) and we have always met that mark.*

*NH always holds a publicly posted grant committee meeting. The Homeland Security Grant Review committee (equivalent of the Senior Advisory Committee recommended in the Grant Guidance) is comprised of local officials representing all major local agencies, Statewide and First Responder disciplines. This Committee recommends and votes on an allocation plan*



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*and grant process for local partners in their public meeting, with official minutes available. NH DOS publishes the allocation on the State webpage regarding obligation and the access to funds procedures by the 45<sup>th</sup> day after the Award is made to NH. NH DOS sends out notices to over 600+ eligible entities of the allocation and process prior to 45<sup>th</sup> day. This meets all four conditions in 2012 and surpasses the 2010 and 2011 requirements.*

**NH does not concur** that our process needs revision to meet the 45 day pass through PL requirements or the Grant Guidance standards that have been monitored for year '10-'12. We are fully in compliance with the 45 day obligation requirement during the period monitored 2010-2012. We have illustrated that case in this response. We are also attaching the time line of activities conducted by NH DOS to meet or surpass these requirements.<sup>2</sup>

*In light of the newly limited 24 month grant period, NH DOS shall attempt to review and process grants more quickly in future years, but not at the expense of transparency and local participation in the process which we place a high value on in New Hampshire. DOS GMU is being crippled in performance capability by lack of HSGP administrative funds. We only have 1.5 FTE staff currently assigned to HSGP (with only one funded by HSGP) and are unlikely, due to lack of funds, to be able to supplement this staffing level back up to the initial 4.5 FTE which was carried in the mid 2000s to meet the administrative needs of this program. Funding reductions for administration are reaching a point where efficiencies are not possible due to the increased reporting burdens placed on this program. Small States such as NH are becoming less able to keep up with administrative burdens and still maintain full grant compliance. We appealed through the OIG audit and do so again here, to have DHS/FEMA allow at least, the carry-over of administrative funding if not a wholesale increase of that limited 5% allocation that can be used for administration of these grants.*

**Recommendation #2 NH Response:**

*NH DOS does not control the outcome of this recommendation. NH DOS agrees the DHS/FEMA needs to respond in a timely manner to correctly executed grant extension requests.*

**Recommendation #3 NH Response:**

***NH DOS does not concur*** with this recommendation. The actual language of the PL is this:

“(c) DISTRIBUTION TO LOCAL AND TRIBAL GOVERNMENTS.—  
“(1) IN GENERAL.—Not later than 45 days after receiving grant funds, any State receiving a grant under this section shall make available to local and tribal governments, consistent with the applicable State homeland security plan—  
“(A) not less than 80 percent of the grant funds;  
“(B) with the consent of local and tribal governments, items, services, or activities having a value of not less than 80 percent of the amount of the grant; or  
“(C) with the consent of local and tribal governments, grant funds combined with other items, services, or activities having a total value of not less than 80 percent of

<sup>2</sup> Attachments here were also included with the 10/28/13 rebuttal letter to OIG.



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the amount of the grant.

**Point of information in 80% pass through documentation and process reviewed by OIG:** Training funds commented on as "non-compliant with the PL" by OIG represent only: 6.6% of the total "80%" funds allocated to locals in 2010, e.g 8.3 % in 2011 and 12.2% in 2012.

As illustrated by the chart inserted here the LOCAL training funds that are handled on behalf of the locals to set up their training by the NH Division of Fire Standards and Training and Emergency Medical Service ( a Division of the SAA – NH DOS) were accessed and actually reimbursed back to the LOCALS after their training was completed in the following amounts and percentages by the time of the OIG visit:

**Training Funds Reimbursed to locals for 2010, 2011 and 2012 through July 2013**

Grant Year	Allocation	Expended through 7/31/13	Percent Expended through 7/31/13	1st Payment Made to locals
2010	350,000.00	349,909.23	99.97%	3/12/2012
2011	343,292.00	244,192.50	71.13%	1/17/2013
2012	275,000.00	58,231.18	21.17%	4/29/2013

NH DOS is in compliance with PL 110-53 requirements (copied above from the law as passed). The OIG draft report erroneously states "the State retained funding without proper written consent and passed through less than 80 percent of funding to local governments". This consent is given and reinforced in a variety of ways which were illustrated during the on-site and in the 10/28 rebuttal from the DOS to the OIG.<sup>3</sup>

As illustrated above, these funds (a small portion of the local 80% funding) were fully accessed by local partners for training they chose to pursue, beginning before the 45th day after the grant award. NH only has one accredited Fire And EMS Training Academy (a division of the Department of Safety) through which locals can access accredited training programs. During the on-site visit, Director Plummer of DOS' Division of Homeland Security and Emergency Management (HSEM) explained in detail how the Training program was revised in 2011 to include more direct, locally identified gap-related training with risk-based studies and surveys used to revise the training offerings from 2011 onward. We forwarded samples of those surveys identifying gaps to address with original OIG materials in June and also spoke of them in July at length.

<sup>3</sup> See attachment of Grant Committee allocation approval and various MOA samples including Chief, Student, and High Town official signature.



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We pointed out in the 10/25/13 call and our 10/28/13 rebuttal letter that it is unclear what specific instances OIG is using to support their "authorized signatory" issues. We asked for these specific OIG examples on both dates above and OIG staff have not provided the back-up they are using, nor is a specific citation to support OIG issues in the draft report for:

**"Incorrect signatory":** During the 10/25 phone call Cecilia Carroll indicated that "MOA's were issued at class attendance, not prior" . She also indicated on 10/25 that "they found people signing the MOAs may be acting outside of their statutory authority. We found they are signing for the wrong Town" . Page 7 states, "Even if MOAs did contain this information, we found that persons acting outside their scope of authority frequently signed them, therefore GMU did not obtain written consent from local governments to retain funds on their behalf". (This is an interpretation by OIG of materials presented.)

**New Hampshire does not concur:** There is no guidance from DHS/FEMA on who should sign this MOA for "holding" 80% funding on behalf of locals. The OIG statements do not represent anything in the Public Law or the Grant Guidance for 2010-12. The MOU is meant to "give notice" and "permission" to comply with the Grant Guidance and Law (PL). DOS has pointed out that the MOU (MOA) template used is based specifically upon the one DHS/FEMA included in the 2006 Grant Guidance. There has not been an update in guidance on these type of MOAs. This DHS/FEMA issued template does not specify a signatory nor an amount be included.<sup>4</sup>

Your own GAO standards cited on page 7 in the OIG DRAFT report are not germane to a transaction such as these individual MOA(s) as no monetary transaction takes place at the point of the MOA. NH DOS asks: "Is OIG indicating a CHIEF of a Department cannot sign an MOA acknowledging the 80% funds were held on behalf of the locals for local training?" MOAs are now obtained at sign-up, at class, and from the Chiefs (or Town Officials) of sponsoring Departments after the local representatives of these agencies APPROVED the funds to be held for this purpose in a public meeting regarding allocation of funds.

NH DOS uses the exact template issued with the 2006 SHSGP grant guidance for these MOAs, which has never been updated, since that issuance. This was provided in back-up on 10/28/13 but that was not noted in your draft report. NH DOS supplied to OIG hundreds of MOAs signed by First Responders, Police and Fire Chiefs, and Selectboard Chairs, Finance Directors, Town Managers, and Mayors etc. We actually sought MOAs up to TWICE AFTER the Grant Committee approved this obligation to be held on behalf of the locals they represented. We explained and demonstrated this at the on-site and in our 10/25 phone call and 10/28 rebuttal letter. This process is extremely transparent to the end user as it is duplicated (or more) throughout the process to meet the letter of PL 110-53 as cited specifically above, as well as the Grant Guidance in each year monitored. As we stated in the NH 10/28/13 rebuttal letter, someone may reside in another town but serve on a Department elsewhere. For example many local Chiefs reside in a different community from where they work. Some response teams are regional teams, and as such can be from

<sup>4</sup> Attachments here were also included with [REDACTED] the 10/28/13 rebuttal letter to OIG.



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*"sending" departments with a Chief from elsewhere. Training is opened to all First Responders even if sponsored by one Department, overall. Thus, it may be that your audit team was confused by the construct of the Fire and EMS service, in particular, in NH in reviewing the documentation and making this comment?*

*Additionally, the NH Grant Review Committee, comprised of Local First Responders representing major groups statewide, approves the allocation and obligation plans in advance of the 45 day window, which outline the allocation and the means to access it for locals. The meeting is held in public and the plan is posted publically.*

*Finally, we point out that by the filing of the DHS ISIP, NH DOS is timely and we state that the 80% are held for locals for training. BSIR continues this designation in the active term of grant with an amount and balance. SAPRS further report out allocation twice per year DHS/FEMA request as part of the recently required "Categorical Breakdown of Costs". DHS/FEMA would not approve these benchmarks checks as in accordance with Law and guidance if we were not meeting the 80% pass through standards for compliance inclusive of MOAs and notifications of allocation plans and how to access funds.*

**Final NH Response to Recommendation:** *NH DOS does not concur with this recommendation or with the OIG statement that NH has "therefore (the State) retained funding without proper written consent and passed through LESS than 80% of the funding to local governments". As we have illustrated several times here, this statement is absolutely incorrect. NH DOS is in compliance with the MOU(MOA) requirement AND the 80% pass-through requirement.*

*NH DOS would actually propose procedure modification cutting back on the duplicative processing of multiple points of securing MOAs to "hold funds on behalf of locals". We feel this audit revealed that NH DOS far exceeds this compliance point, currently.*

**NH Response to Recommendation #4: DOS does not concur** *that we need to establish internal deadlines for sites visits.*

*DOS points out that 44 CFR 13.40 provided NO prescription for on-site vs. desk audits nor timing of such. The grant guidance and 44 CFR provided no specificity beyond this statement of the requirement for "day to day management and monitoring subgrant activities to assure compliance with applicable Federal requirements". DOS complies with the strict language of 44 CFR 40 re: the fiduciary responsibility to monitor and oversight subgrantees.*

*DOS points out that our internal auditor had conducted limited onsite for 2010-2012 at the time of the OIG visit due the the fact we are catching up with '07,'08 '09 reallocated funds (\$9 million per DHS IB 379). 2010 State Agency (State Police) had been reviewed prior to the OIG visit as that grant was closed. Other grants in the 2010-2012 cycles were not closed thus not on-site was done. We reimburse only after the fact and presentation of appropriate documentation of expenditures being reimbursed.*

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DOS has had our "internal audit" function cited as a "best practice" by DHS/FEMA Region I in audits conducted in September 2012 and January 2010.<sup>5</sup> We provided to OIG on 10/28 "best practice" documentation on this same issue and function, from a FEMA Region I "Grants Management Best Practice Forum" workshop in April 2009. The internal auditor position has always been part-time. It is now only one day per week, as a result of the need to preserve the limited 5% administrative funding allowed to apply to all administrative functions that must be applied to administer the grants.

DOS points out, again, that we require quarterly reports during the open grant period and these are reviewed by the one full time staff member and the Grant Administrator and followed up on.<sup>6</sup> DOS conducts 100% close-out Desk Audits including a grantee close-out report required on all grantees.<sup>7</sup> These are completed PRIOR to the final Federal close-out. This allows ample time to "recapture" any costs should that be necessary.

DOS points out, again, that we are a reimbursement based program. We do not pay grantees any grant funds until projects or project components are completed and paid for at the local or subgrantee level; we require invoices and canceled checks to accompany a reimbursement request. Thus, on-site monitoring in the interim time frame would serve little to no purpose as Federal funds generally have not been expended, at the interim point. In addition, this provides a hard "tool" to insure projects are completed as eligible and we have invoices and canceled checks in hand to prove this.

NH DOS does not concur with the recommendation to establish an internal deadline for site visits there is no requirement for on-site monitoring in 44 CFR13. We point out that due to the limitation of 5% administrative funding, DOS cannot afford to hire a full time auditor to monitor these funds beyond what is occurring at this time. This position has shrunk from 29 hours per week in 2004 to approximately 7 hours per week (one day) in 2013, which is congruent with the shrinking funding in the grant and the lack of flexibility to spend or carry over more administrative funds. The position is being vacated, at this time, and is not likely to be filled. We will probably have no choice but to cease on-site visits altogether going forward and rely on other mechanisms we use currently for monitoring. We have lost the equivalent of 1 ¼ position during the past 18 months due to shrinking administrative dollars. We only can only fund 1 Full-time position for grants administration within the current funding confines.

**Recommendation #5: DOS partially concurs.**

**Finding - NOTE: As per CFR 13.31 "(a) Title: Subject to obligations and conditions set forth in this section, title to equipment acquired under grant or subgrant will VEST upon acquisition in the grantee or subgrantee respectively".**

**Response:** In NH with few exceptions subgrantees purchase their approved equipment with their own local funds and are reimbursed with HSGP funds after the proof is submitted. The grant reimbursement returns, in the majority of cases, to a general revenue line at the local level, not directly to a department or the equipment line that makes the purchase, and is not

<sup>5</sup> Letters attached and also submitted with 10/28 rebuttal letter.

<sup>6</sup> Letters attached and also submitted with 10/28 rebuttal letter.  
<sup>7</sup> sample attached.



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necessarily designated other than "revenue" (or grant revenue) to the local subgrantee through their budgets. DOS maintains that LOCAL subgrantees are the vested OWNERS of their HSGP acquired equipment, in line with CFR 13.31 "(a) Title" and notifies subgrantees of such in grant application and grant award documentation and post-award documentation. Therefore, the LOCAL subgrantee is ultimately responsible for the 13.32 (c) (1) through (3). NH DOS has always advised locals, in writing, they "own" their equipment are fully responsible for it for the life cycle.

**State Inventory procedure is in COMPLIANCE.** As was transmitted with the rebuttal letter to OIG dated 10/29/13: State inventory procedure is 100% in compliance with the above, as the State of NH has a rigorous procedure in place (including manual inspection intervals) for inventory monitoring and this was supplied to OIG in the June 24 transmittal of material during the audit process. We have supplied to OIG additional State inventory documentation here to illustrate the State level compliance with this component of the CFR (also supplied with rebuttal letter 10/28/13 as well as material supplied in the pre-visit documentation). The inventory of HSGP grant equipment acquired with Federal funds is in compliance with 44 CFR 13.32 (b). **DOS supplied an inventory record of Department of Safety equipment to the OIG at the onsite for 2010-2012. DOS supplied a listing of closed out 2010 State Police grant equipment to OIG at the on-site. This recommendation is UNTIMELY as the process for inventory gathering occurs by written procedure at grant closeout.**<sup>8</sup>

**Local Inventory procedure is in PARTIAL compliance.** DOS stated and pointed out to the OIG during the on-site visit that our Grant Terms and Conditions and the actual original GRANT APPLICATION and Grant Terms and Conditions specifically state in two places that compliance with inventory management and reporting of the same must be maintained. DOS further pointed out and supplied copies of close-out documentation submitted by local partners to OIG at the on-site, that DOS requires all subgrantees to comply with the long-term obligations for inventory management of this equipment including the close-out reporting inventory tag reporting, and depreciation of and disposition of equipment in accordance with GASB standards as well as 44 CFR-13.31 and 13.32. This requirement is addressed to the local (and State) subgrantees in four separate places: pre-award, award, and twice in post award, currently. DOS supplied these documents to OIG in the Pre-award document request and on-site. We believe, based on the CFR language the "Physical Inventory" standard applies to the sub-grantee of the equipment and our process provides a minimum of four tiers of reminders re: inventory maintenance that they are to notify DOS as the SAA in the event this equipment is disposed of.<sup>9</sup>

**NH Response Local Inventory Records:** DOS further points out that the actual language of 44 CFR 13.50 subpart D (b) Close-out, states, "in accordance with 13.32(f) a grantee must submit all inventory of all federally owned property acquired with grant funds (as distinct from property acquired with grant funds) for which it is accountable and request disposition instructions from the Federal Agency of property no longer needed". DOS has ALWAYS complied with (and exceeded) the above from 2003-2009 by requiring LOCAL

<sup>8</sup> Procedure attached as part of Recommendation # 4 response from DOS.

<sup>9</sup> DOS is supplying these documents herewith, again.



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grantees to certify their inventory is in place and supply inventory tag numbers. DOS maintains that as supported by this CFR definition of: vested equipment ownership at the local (subgrantee) level; and it is the responsibility of the LOCAL owner to maintain these inventory responsibilities at their level. In particular in the manner in which NH has structured this grant program, locals/subgrantees purchase approved equipment up-front and then are reimbursed by the HSGP. The purchase therefore makes them the "owner".

**NH Response to Local Inventory Records:** DOS technically, under State of NH statute, has no right to control local equipment management as the OWNERSHIP, inventory, maintenance, usage, investigation regarding loss, etc. of this equipment or reporting of the status of it at the local level falls within the separation of State and local responsibilities as outlined in Part II, Article 28-A the State of NH Constitution - Bill of Rights. Thus, full adherence to OIG interpretation of 44 CR 13.31 D(1)-(4) will have to be the responsibility of the locals with reporting to NH DOS voluntarily at the close of their grant and thereafter.<sup>10</sup>

**NH Response to LOCAL Inventory issue:** NH DOS maintains unless the HSGP Grant will allow for reimbursement to local (subgrantee) agencies to conduct an audit every two years specifically for HSGP equipment reporting, and pay a prorated share of this cost from grant funds – there is no way under NH State Constitution separation of powers and unfunded mandates prohibitions, to mandate this of the local jurisdictions every two years with formal reporting. The Grant application, Grant Terms & Conditions and Grant close-out letters in place cover the over-arching requirements the locals must adhere to regarding this part of 44 CFR for equipment (which also align with GASB standards that apply to municipal equipment inventory and valuation). NH DOS will continue to "require" disposition of equipment updates as per CFR at grant application and close-out, but this, although unchallenged to date, is actually voluntary under NH state statutes and our Bill of Rights Article 28-A. NH DOS will voluntarily obtain other inventory from the locals but as outlined here it cannot and should not be compelled. To date NH DOS has had excellent cooperation with this approach.

**Recommendation #6: NH DOS does NOT Concur.** NH DOS complies with this already. NH DOS has a "reconciled inventory" procedure for closed and completed grants and submits to the inventory to the DHS/FEMA Program Analyst, at grant completion, a detailed equipment inventory. NH DOS should not be required to comply with the "completion" of a "reconciled inventory" of 2010-2012 as recommended UNTIL these grants close-out as aligns with our procedure in place and in practice since 2003.

Reporting every two years will be within the State equipment control procedure guidelines and as per Constitutional limitations within the realm of voluntary compliance for local subgrantees. OIG was made aware of this procedure at the on-site and also in the 10/28 rebuttal letter.

**Recommendation #7: NH DOS does not control the outcome of this recommendation.** We provided voluminous documentation of the various measurement tools used by

<sup>10</sup> NH State Constitution article 28-A as attached.



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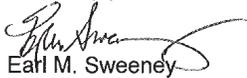
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*DHS/FEMA over the years and passed on to the States. NH DOS strongly recommends the Grants Program Directorate consider the model such as the one used for measurement methodology as part of NECP Goal 2 (as administered by DHS –OEC). This produced useful and usable metrics.*

***Final Conclusion - Comments from NH DOS:*** *The OIG also spent a week with two staff members conducting on-site reviews at the local level for compliance throughout the State. Verbal feedback from OIG staffers to DOS staff was positive regarding local equipment control, grants management practices, and feedback on work with NH DOS over the past 10+ years. Additionally, 5 OIG staff members spent two weeks in NH during the on-site with full cooperation from a myriad of State agencies and personnel who also supplied positive feedback about the grant program and administration. We were surprised that this positive feedback was not highlighted in your draft report. This OIG team had members state, on more than one occasion verbally, that they were going to "highlight best practices" and "positive outcomes" from this review both during the onsite and on the 10/25 phone call where we were told "the text of the report will give you a better tone". We see no evidence of anything positive in this review highlighted or showcased for the 10+ years of exceptional compliance with a massive and evolving Federal bureaucracy and in light of the extremely small staff NH has had over the years to deal with this. Additionally, it seems that the voluminous amount of pre-visit documentation submitted was basically not utilized because issues and questions that were answered by this documentation were asked again, or the back-up had to be pulled once more to support DOS activities. We are attaching a transcript of the 10/25/13 call, also, where we had points addressed and indications made that our "technical" feedback was important and would be used. However, this never found its way into the draft report.*

Please feel free to contact me with additional questions. We hope that our time spent on this additional detailed response with clarifications and back-up will yield a review more representative of the compliant program that the DOS has run.

Very truly yours,

  
Earl M. Sweeney  
Assistant Commissioner

Attachments:

- 1) Award obligation compliance
- 2) MOA samples from Locals
- 3) Template for MOU from SHSGP 2006 Grant Guidance – Appendix C
- 4) Sample 2010 Grant Committee allocation approval, Award summary posted on-line with allocation plans, bulleted summary of Committee approval
- 5) FEMA Region I "Best practices" notations for NH DOS audit function
- 6) NH DOS subgrantee quarterly and close-out tracking for "oversight" and inventory purposes as well.
- 7) State inventory procedures
- 8) NH DOS disposition letter
- 9) NH DOS Close-out tracking spreadsheet
- 10) Article 28-A of NH State Constitution

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- 11) Minutes from 10/25/13 OIG Exit Conference call



## **Appendix C**

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